

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

Gregory Scott
Marshall Johnson
LeRoy Koppendrayer
Phyllis A. Reha

Chair
Commissioner
Commissioner
Commissioner

In the Matter of a Petition by Great Plains
Natural Gas Company, a Division of MDU
Resources Group, Inc., for Authority to
Increase Natural Gas Rates in Minnesota

ISSUE DATE: November 19, 2002

DOCKET NO. G-004/GR-02-1682

NOTICE AND ORDER FOR HEARING

PROCEDURAL HISTORY

On October 7, 2002, Great Plains Natural Gas Company, a Division of MDU Resources Group, Inc. (Great Plains or the Company) filed a general rate case. The Company requested a rate increase of \$1,587,202, or approximately 6.9% over existing rates. Great Plains proposed a projected test year ending December 31, 2003.

In a notice issued October 7, 2002, the Commission asked interested persons to file comments on whether the Commission should accept the filing as substantially in compliance with applicable filing requirements and whether the matter should be referred to the Office of Administrative Hearings (OAH) for a contested case hearing.

On October 17, 2002, the Department of Commerce (DOC) submitted comments stating that the Company's filing was incomplete. The DOC recommended that the acceptance of Great Plains' filing be delayed until Great Plains files certain accounting schedules that fully comply with Minnesota Rules.¹ The DOC recommended that the rate case clock be suspended until the DOC confirms that the Company has complied with these rules.

On October 22, 2002, the Company submitted reply comments and supplemental financial schedules.

On October 28, 2002, the DOC submitted reply comments indicating that the supplemental financial schedules submitted by Great Plains completed the filing. The DOC recommended that the Commission accept Great Plains' filing and refer the matter to the OAH for contested case proceedings.

The Commission met on November 7, 2002 to consider this matter.

¹ Minnesota Rules parts 7825.4000 and 7825.4100.

FINDINGS AND CONCLUSIONS

I. Jurisdiction and Referral for Contested Case Proceedings

The Commission has jurisdiction over proposed rate changes under Minn. Stat. § 216B.16. If the Commission is unable to resolve all significant issues regarding the reasonableness of the proposed rates on the basis of the filing itself, the Commission is to refer the matter to the Office of Administrative Hearings for contested case proceedings. Minn. Stat. § 216B.16, subd. 2.

The Commission finds that it cannot satisfactorily resolve all questions regarding the reasonableness of the proposed rates on the basis of the Company's filing. The Commission will therefore refer the matter to the Office of Administrative Hearings for contested case proceedings.

II. Proposed Rates

Great Plains proposed the following revenue increases by customer class. These numbers are for all customers (from all rate areas) in the specified customer class. The percentage change number in the last column is the average for all customers in a particular rate class.

Class	Test Year Revenue at Present Rates	Change from present rates in \$	Change from present rates in %
Residential	\$ 10,930,653	\$ 987,596	9.04%
Firm General Service	6,079,906	398,416	6.55%
Small Interruptible Sales	2,042,468	127,003	6.22%
Large Interruptible Sales	3,472,860	61,334	1.77%
Small Interruptible Transportation	224,009	12,885	5.75%
Large Interruptible Transportation	104,831	-0-	0%
Other Revenue	87,787	-0-	0%
Total	\$ 22,942,514	\$ 1,587,234	6.92%

Great Plains also proposed to increase the monthly customer (basic service) charge for the following customer classes.

Basic Charge (per month)	Current Basic Service Charge	Proposed Basic Service Charge
Residential		
Crookston	\$ 3.90	\$ 6.50
North-4 & South-13	\$ 2.35	\$ 6.50
Firm General Service (Sales)		
Crookston	\$ 3.90	\$ 20.00
North-4 & South-13	\$ 2.35	\$ 20.00
Small Interruptible Sales		
Crookston	\$ 11.25	\$ 100.00
North-4 & South-13	\$ 30.00	\$ 100.00
Small Interruptible Transportation		
Crookston	\$ 11.25	\$ 150.00
North-4 & South-13	\$ 30.00	\$ 150.00
Large Interruptible Sales		
Crookston	\$ 200.00	\$ 200.00
North-4 & South-13	\$ 200.00	\$ 200.00
Large Interruptible Transportation		
Crookston	\$ 100.00	\$ 250.00
North-4 & South-13	\$ 50.00	\$ 250.00

A copy of the Company's rate increase proposal is on file in the offices of the Department of Commerce, 85 Seventh Place East, Suite 500, St. Paul, Minnesota 55101-2198, and is open for public inspection during regular office hours. Copies are also available for public inspection at the Company's offices at 105 West Lincoln Avenue, Fergus Falls, Minnesota 56537 and at local offices in their service area.

The Commission, by separate Order, has accepted the filing and suspended the Company's proposed rates.² By further Order, the Commission will direct the Company to place an interim rate schedule into effect. Interim rates are subject to refund if the Commission ultimately orders a lower overall revenue increase than is recovered through interim rates. Minn. Stat. § 216B.16, subd. 3.

III. Issues to be Addressed

Parties shall address the following issues in the course of the contested case proceedings ordered herein:

² ORDER ACCEPTING FILING, SUSPENDING RATES, AND SETTING EFFECTIVE DATE FOR INTERIM RATES, issued the same date as the Order herein.

1. Is the test year revenue increase sought by the Company reasonable or will it result in unreasonable and excessive earnings by the Company?
2. Is the rate design proposed by the Company reasonable?
3. Are the Company's proposed capital structure and return on equity reasonable?
4. Service extensions and service extension policy as discussed in the Commission's March 31, 1995 Order.³
5. The incremental cost of providing service to flexible rate customers.
6. Cost allocations (Great Plains is required to file testimony and exhibits that demonstrate that its allocation factor provides comparable results with the required allocator).
7. Whether gas costs should be unbundled on Great Plains' customer bills.

The parties may also raise and address other issues relevant to the Company's proposed rate increase.

IV. Procedural Outline

A. Administrative Law Judge

The Administrative Law Judge assigned to this case is Steve M. Mihalchick. His address and telephone number are as follows: Office of Administrative Hearings, Suite 1700, 100 Washington Square, Minneapolis, Minnesota 55401-2138; (612) 349-2544.

B. Hearing Procedure

- *Controlling Statutes and Rules*

Hearings in this matter will be conducted in accordance with the Administrative Procedure Act, Minn. Stat. §§ 14.57-14.62; the rules of the Office of Administrative Hearings, Minn. Rules, parts 1400.5100 to 1400.8400; and, to the extent that they are not superseded by those rules, the Commission's Rules of Practice and Procedure, Minn. Rules, parts 7829.0100 to 7829.3200.

³ In the Matter of an Inquiry into Competition Between Gas Utilities in Minnesota, Docket N. G-999/CI-90-563, ORDER TERMINATING INVESTIGATION AND CLOSING DOCKET, March 31, 1995.

Copies of these rules and statutes may be purchased from the Print Communications Division of the Department of Administration, 117 University Avenue, St. Paul, Minnesota 55155; (651) 297-3000. These rules and statutes also appear on the State of Minnesota's website at www.revisor.leg.state.mn.us.

The Office of Administrative Hearings conducts contested case proceedings in accordance with the Minnesota Rules of Professional Conduct and the Professionalism Aspirations adopted by the Minnesota State Bar Association.

- *Right to Counsel and to Present Evidence*

In these proceedings, parties may be represented by counsel, may appear on their own behalf, or may be represented by another person of their choice, unless otherwise prohibited as the unauthorized practice of law. They have the right to present evidence, conduct cross-examination, and make written and oral argument. Under Minn. Rules, part 1400.7000, they may obtain subpoenas to compel the attendance of witnesses and the production of documents.

Parties should bring to the hearing all documents, records, and witnesses necessary to support their positions.

- *Discovery and Informal Disposition*

Any questions regarding discovery under Minn. Rules, parts 1400.6700 to 1400.6800 or informal disposition under Minn. Rules, part 1400.5900 should be directed to Robert Harding, Public Utilities Rates Analyst, Minnesota Public Utilities Commission, 121 7th Place East, Suite 350, St. Paul, Minnesota 55101-2147, (651) 296-7125; or Cassandra O'Hern, Assistant Attorney General, 1100 NCL Tower, 445 Minnesota Street, St. Paul, Minnesota 55101, (651) 282-5725.

- *Protecting Not-Public Data*

State agencies are required by law to keep some data not public. Parties must advise the Administrative Law Judge if not-public data is offered into the record. They should take note that any not-public data admitted into evidence may become public unless a party objects and requests relief under Minn. Stat. § 14.60, subd. 2.

- *Accommodations for Disabilities; Interpreter Services*

At the request of any individual, this agency will make accommodations to ensure that the hearing in this case is accessible. The agency will appoint a qualified interpreter if necessary. Persons must promptly notify the Administrative Law Judge if an interpreter is needed.

- *Scheduling Issues*

The times, dates, and places of public and evidentiary hearings in this matter will be set by order of the Administrative Law Judge after consultation with the Commission and intervening parties.

- *Notice of Appearance*

Any party intending to appear at the hearing must file a notice of appearance (Attachment A) with the Administrative Law Judge within 20 days of the date of this Notice and Order for Hearing.

- *Sanctions for Non-compliance*

Failure to appear at a prehearing conference, a settlement conference, or the hearing, or failure to comply with any order of the Administrative Law Judge, may result in facts or issues being resolved against the party who fails to appear or comply.

C. Parties and Intervention

The current parties to this case are the Company and the Minnesota Department of Commerce. Other persons wishing to become formal parties shall promptly file petitions to intervene with the Administrative Law Judge. They shall serve copies of such petitions on all current parties and on the Commission. Minn. Rules, part 1400.6200.

D. Prehearing Conference

A prehearing conference will be held in this case on Thursday, December 19, 2002 at 1:30 p.m. in the Small Hearing Room, Public Utilities Commission, 121 7th Place East, Suite 350, St. Paul, Minnesota 55101. Persons participating in the prehearing conference should be prepared to discuss time frames, scheduling, discovery procedures, and similar issues. Potential parties are invited to attend the pre-hearing conference and to file their petitions to intervene as soon as possible.

E. Time Constraints

The Commission is required to act on the Company's filing within ten months, or the proposed rates are deemed approved. Minn. Stat. § 216B.16, subd. 2. This ten-month period can be extended for brief periods to permit the negotiation and consideration of settlements. Minn. Stat. § 216B.16, subds. 1a and 2.

The Commission asks the Office of Administrative Hearings to conduct contested case proceedings in light of these time constraints and requests that the Administrative Law Judge submit his final report by June 20, 2003, to allow the Commission adequate opportunity for thorough consideration of the case.

V. Application of Ethics in Government Act

The lobbying provisions of the Ethics in Government Act, Minn. Stat. §§ 10A.01 et seq., may apply to this case. Persons appearing in this proceeding may be subject to registration, reporting, and other requirements set forth in that Act. All persons appearing in this case are urged to refer to the Act and to contact the Campaign Finance and Public Disclosure Board, telephone number (651) 296-5148, with any questions.

VI. Ex Parte Communications

Restrictions on ex parte communications with Commissioners and reporting requirements regarding such communications with Commission staff apply to this proceeding from the date of this Order. Those restrictions and reporting requirements are set forth at Minn. Rules, parts 7845.7300-7845.7400, which all parties are urged to consult.

ORDER

1. The Commission hereby refers this case to the Office of Administrative Hearings for contested case proceedings, as set forth above.
2. A prehearing conference shall be held on Thursday, December 19, 2002, at 1:30 p.m. in the Small Hearing Room, Public Utilities Commission, 121 7th Place East, Suite 350, St. Paul, Minnesota 55101.
3. This Order will be served on the Company, which shall mail copies of the Order to all municipalities and counties in its Minnesota service area and to such other persons as the Department of Commerce may request.
4. Public Hearings shall be held in this matter at locations within the service area of the Company.
5. The Company shall give the following notices of the evidentiary and public hearings:
 - a. Individual written notice to each customer, which may be in the form of a bill insert, and shall be served at least ten days before the first day of hearings;
 - b. Written notice to the governing bodies of all municipalities and counties in the area affected and to all parties in the Company's last two rate cases. These notices shall be mailed at least ten days before the first day of hearings;
 - c. Display advertisements in legal newspapers of affected counties and other newspapers of general circulation within the Company's Minnesota service area. These advertisements shall appear at least ten days before the first day of hearings. They shall include the heading **RATE INCREASE NOTICE**, which heading shall appear in bold face type no smaller than 30 points.
 - d. The Company shall submit proposed notices for Commission approval prior to publication or service.

6. The Commission delegates to the Executive Secretary the authority to approve customer notices and bill inserts for the duration of this proceeding.
7. This Order shall become effective immediately.

BY ORDER OF THE COMMISSION

Burl W. Haar
Executive Secretary

(S E A L)

This document can be made available in alternative formats (i.e., large print or audio tape) by calling (651) 297-4596 (voice), (651) 297-1200 (TTY), or 1-800-627-3529 (TTY relay service).

BEFORE THE MINNESOTA OFFICE OF ADMINISTRATIVE HEARINGS

100 Washington Square, Suite 1700
Minneapolis, Minnesota 55401-2138

FOR THE MINNESOTA PUBLIC UTILITIES COMMISSION

121 Seventh Place East Suite 350
St. Paul, Minnesota 55101-2147

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Natural Gas Company, a Division of MDU
Resources Group, Inc., for Authority to
Increase Natural Gas Rates in Minnesota

MPUC Docket No. G-004/GR-02-1682

OAH Docket No.

NOTICE OF APPEARANCE

Name, Address and Telephone Number of Administrative Law Judge:

Steve M. Mihalchick, Office of Administrative Hearings, Suite, 1700, 100 Washington Square,
Minneapolis, Minnesota 55401; (612) 349-2544.

TO THE ADMINISTRATIVE LAW JUDGE:

You are advised that the party named below will appear at the above hearing.

NAME OF PARTY:

ADDRESS:

TELEPHONE NUMBER:

PARTY'S ATTORNEY OR OTHER REPRESENTATIVE:

OFFICE ADDRESS:

TELEPHONE NUMBER:

SIGNATURE OF PARTY OR ATTORNEY: _____

DATE: _____